



April 18, 1997

Randy Hardy, Administrator
[Bonneville Power Administration](#)
P.O. Box 3621
Portland, OR 97208-3621

Dear Mr. Hardy:

Thank you for sharing Bonneville's plans for a limited pre-subscription, post-2001 contract extension process. I am writing to convey my support in principle for the concepts contained in Bonneville's Draft Interim Marketing Plan.

The Department of Community, Trade and Economic Development (CTED), Energy Policy Division is aware of the narrow edge Bonneville and its customers are walking in order to ensure success of the federal power marketing process. On the one hand, if Bonneville offers unduly preferential terms to some customers between now and the beginning of the subscription process, it could jeopardize both the subscription effort and BPA's ability to meet its statutory obligations. On the other hand, if Bonneville's terms are too limiting, some customers may choose to go with other providers and the process could also fail.

Bonneville has come down correctly on the side of a conservative approach to pre-subscription negotiations. Contracts should be offered only when Bonneville is persuaded that the delicate and important compromises reached in the comprehensive review will not be jeopardized. Pre-subscription should not become an opportunity for some subscribers to gain price or access advantages over others. Any customer arguing for more favorable treatment bears a heavy burden of proving that such terms will neither undermine subscription nor jeopardize Bonneville's ability to recover its costs. This assurance is necessary not just for the commercial relationship between Bonneville and an individual customer, but for all of Bonneville's remaining customers and the retail consumers of the Northwest generally. Unless and until that case can be made, we support you in your current position and urge you to continue to support the principles of the comprehensive review, including the subscription process, with every means at your disposal.

The CTED Energy Policy group does have one important caveat to our support for Bonneville's draft interim marketing plan. The draft plan currently states that there will be "no stranded cost shields." Following our meeting with Paul Norman on April 15, it is our understanding that Bonneville intends to include a clause in the contracts that will affirmatively protect any rights that Bonneville may now have, or may have in the future, regarding stranded cost recovery. Because stranded cost recovery has yet to be adequately addressed in any of the forums now dealing with Bonneville and electric industry restructuring, explicit language preserving Bonneville's opportunity to recover stranded costs is essential. Our reading of recent federal policy developments on stranded costs suggests that silence on this matter could conceivably foreclose some options in the future.

Thank you for this opportunity to comment.

Sincerely,

K.C. Golden
Assistant Director

cc: Mike Kreidler, Member, Transition Board
Paul Norman, Acting Vice-President of Power Marketing, BPA